

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 1** SLS 09RS 199
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.:		Analyst: Travis McIlwain
Subject: Funds - Constitutional Amendment		

FUNDS/FUNDING EG SEE FISC NOTE SD EX See Note Page 1 of 1

Constitutional amendment to authorize limited redirection and transfer of funds supporting appropriations and allocations from the state general fund and dedicated funds in certain circumstances. (2/3-CA13s1(A))

Current law limits the reduction to any constitutionally protected or mandated allocations or appropriations to the lesser of 5% or the amount of the budget deficit, and only when state general fund allocations or appropriations have been reduced by at least 7/10 of 1%, or 0.7% (Art VII, Sec 10(F)(2)). There is a 1% reduction limit to the Minimum Foundation Program (MFP) with no reductions in instructional activities and an exclusion for certain funds. If the official forecast for the next fiscal year is at least 1% less than for the current fiscal year, 5% of constitutionally protected or mandated allocations or appropriations in the current fiscal year shall be available for general use in the next fiscal year. The 1% limitation associated with the MFP applies in this case, as well. Proposed law changes the allowable reductions in constitutionally protected or mandated allocations or appropriations in both cases above from 5% to 10%. This bill provides for submission of the proposed amendment to the voters at the congressional election to be held on October 2, 2010.

EXPENDITURES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW					
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

When the legislature notifies the governor of a current year deficit, this proposed constitutional amendment will allow the legislature to reduce up to 10% of constitutionally protected or mandated allocations or appropriations as opposed to 5%, which is currently within the constitution, to balance a current year budget.

For example, HB 1 has approximately \$3.4 billion of total statutory dedications budgeted for FY 10. To the extent this constitutional amendment existed effective July 1, 2009, if the Joint Legislative Committee on the Budget (JLCB) notifies the governor of an FY 10 deficit during the year and the current appropriation for statutory dedicated funds is \$3.4 billion, the total amount of statutory dedications the legislature could reduce is \$334.2 million, 10%, as opposed to \$167.1 million, 5%. This illustration is likely an overstatement in that the legislature will likely not reduce certain statutory dedications.

To reduce the FY 09 deficit, the governor and legislature reduced statutory dedicated expenditure authority in the amount of \$24.4 million, which at the time (January 2009) represented a 0.64% reduction of the total appropriated statutory dedicated budget authority of \$3.8 billion.

NOTE: Essentially these dedicated fund budget authority reductions force a fund balance which is then transferred into the state general fund. For example, the FY 09 Deficit Reduction Plan reduced statutory dedicated budget authority \$24.4 million, while HB 802/SB 300 of the 2009 Regular Legislative Session will direct the state treasurer to transfer those forced fund balances into the state general fund to alleviate the FY 09 deficit.

SB 34 of the 2009 Regular Legislative Session is the companion legislation to SB 1. SB 34 amends these similar provisions in Title 39:75.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate
 13.5.1 >= \$500,000 Annual Fiscal Cost

Dual Referral Rules

13.5.2 >= \$500,000 Annual Tax or Fee Change

House
 6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

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Legislative Fiscal Officer